

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power)	DOCKET NO. 890001-EI
Cost Recovery Clause and Generating)	ORDER NO. 21325
Performance Incentive Factor.)	ISSUED: 6-5-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On April 28, 1989, Florida Power & Light Company (FPL) filed a petition for adjustments to its Fuel Adjustment Factor to be effective for the months of June through September, 1989. The company stated in its petition that by the end of the current period FPL will experience an underrecovery of \$127.5 million or approximately 20% of its estimated fuel costs.

The utility stated that the underrecovery results because:

- 1) The unit price of heavy oil is substantially higher than originally projected. The company originally projected the price per barrel to be \$13.42 versus the current projected price of \$18.07 per barrel or a 35% increase.
- 2) The price of natural gas is now estimated to increase from \$1.84 MMBTU to \$2.39 MMBTU or a 30% increase.
- 3) Nuclear generation is currently projected to be less than originally projected.

Because of higher oil and gas prices and lower nuclear generation, the utility intends to maximize the amount of purchased power, while reducing the amount of oil and gas generation. FPL anticipates that this will be more economical and help to minimize the total cost.

Although FPL currently projects an underrecovery of \$127.5 million, it proposed a mid-course correction of 85% of this projected amount or \$106.9 million. The remaining amount, if any, would be recovered in the next cost recovery period. Based on current estimates, this proposal would result in an

DOCUMENT NUMBER-DATE

05585 JUN -5 1989

FPSC-RECORDS/REPORTING

ORDER NO. 21325
DOCKET NO. 890001-EI
PAGE 2

underrecovery of approximately 3%, which would bring the company's total net true-up well within the Commission's permitted range of 10% specified in Order No. 13694.

The utility's projection of heavy fuel oil prices has been reviewed and seems to be reasonable. FPL consumes 0.7% sulfur, 1.0% sulfur and a small amount of 2.5% sulfur heavy fuel oil. Most of its consumption is of the 1.0% sulfur grade. Platt's Oilgram indicates that spot price of this oil on the Gulf Coast averaged \$18.23 per barrel in the first 23 days of April, 1989. This compares to FPL's \$18.07 per barrel estimate for the period.

The factors derived for FPL's various rate classes have been reviewed, and we have found them to be calculated using the same methods that have been accepted in the past. Attachment A to this Order reflects the levelized, on-peak and off-peak factors for each class and compares bills for 1000 KWH of residential consumption before and after this mid-course correction.

The company has requested an effective date of June 1, 1989 for these revised fuel adjustment factors due to the amount of the projected underrecovery. Although this effective date falls short of the normal 30-day notice requirement, we feel that due to the magnitude of the projected underrecovery it is preferable to implement the revised levelized fuel adjustment factors as of June 1, 1989 as requested by the company.

We note that there has been no prudence review of FPL's fuel estimates and expenditures, nor do we necessarily agree with FPL's figures at this point. The Office of Public Counsel (OPC) opposed mid-course correction on the grounds that the reason for the requested relief could not be determined from the petition. OPC did not request a hearing, which would have been impractical because it could not have been held prior to the upcoming August, 1989 hearing in this docket.

Our Order No. 13694 discussed the procedure we require for mid-course corrections such as that proposed by FPL. While we agree with OPC that a prudence review of FPL's claim is necessary, we will allow FPL to adjust its fuel adjustment factor, subject to our review and true-up in the next fuel adjustment hearing in this docket. In so doing, we note that one of the purposes of this docket is to assure a levelized fuel adjustment so ratepayers need not experience rate shock when factors are adjusted. Further, if FPL's adjustment is not ultimately approved, ratepayers would receive a refund, with interest. If the adjustment is approved, however, FPL would be entitled to collect interest from the ratepayers. We, therefore, deem it advisable to approve the mid-course adjustment.

In consideration of the above, it is therefore

ORDERED that, subject to review and true-up, Florida Power & Light Company's levelized fuel cost recovery factor be increased to 2.249 cents per KWH, that its fuel cost recovery factors be increased to 2.390 cents per KWH for on-peak periods

ORDER NO. 21325
DOCKET NO. 890001-EI
PAGE 3

and 2.180 cents per KWH for off-peak periods for time differentiated rates, as adjusted for rate groups as shown on Attachment A hereto. It is further

ORDERED that the new factors shall be effective with meter readings scheduled to be read on or after June 1, 1989, and continuing thereafter until modified by further order of this Commission.

By ORDER of the Florida Public Service Commission,
this 5th day of June, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MER

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 26, 1989. In the absence of such a petition, this order shall become effective June 27, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

ORDER NO. 21325
DOCKET NO. 890001-EI
PAGE 4

If this order becomes final and effective on June 27, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ORDER NO. 21325
DOCKET NO. 890001-EI
PAGE 5

ATTACHMENT A

FLORIDA POWER & LIGHT COMPANY

FUEL RECOVERY FACTORS - BY RATE GROUP
(ADJUSTED FOR LINE/TRANSFORMATION LOSSES)

JUNE 1989 - SEPTEMBER 1989

(1) GROUP	(2) RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) FUEL RECOVERY FACTOR
A	RS-1, GS-1, SL-2	2.249	1.00136	2.252
A-1*	SL-1, OL-1	2.214	1.00136	2.217
B	GSD-1	2.249	1.00131	2.252
C	GSLD-1 & CS-1	2.249	1.00024	2.250
D	GSLD-2, CS-2, OS-2 & MET	2.249	0.99333	2.234
E	GSLD-3 & CS-3	2.249	0.96774	2.177
A	RST-1, GST-1 ON-PEAK	2.390	1.00136	2.393
	OFF-PEAK	2.180	1.00136	2.183
B	GSDT-1 ON-PEAK	2.390	1.00131	2.393
	OFF-PEAK	2.180	1.00131	2.183
C	GSLDT-1 & ON-PEAK	2.390	1.00024	2.390
	CST-1 OFF-PEAK	2.180	1.00024	2.181
D	GSLDT-2 & ON-PEAK	2.390	0.99333	2.374
	CST-2 OFF-PEAK	2.180	0.99333	2.166
E	GSLDT-3, CST-3, ON-PEAK	2.390	0.96774	2.313
	IST-1(T) OFF-PEAK	2.180	0.96774	2.110
	& ISST-1(T)			
F	IST-1(D) & ON-PEAK	2.390	0.99805	2.385
	ISST-1(D) OFF-PEAK	2.180	0.99805	2.176

* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 890001-EI
DOCUMENT NO. 3